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SUMMARY RECORD OF THE 20th MEETING

Chairman: Mr. HADID (Algeria)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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The meeting was called to order at 10.35 a.m.

AGENDA ITEM 124: IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS (A/48/460, A/48/503 and Add.1 and A/48/565 and Corr.1)

1. Mr. TAKASU (Controller) introduced three reports of the Secretary-General, the first of which (A/48/503 and Add.1) was a factual analysis of the Organization's financial situation. Annexes I and II in the addendum had been updated to 31 October 1993 but the text itself took into account only the information available as of mid-October. Since the issue of the addendum $7.2 million had been paid into the regular budget; as of 17 November outstanding contributions totalled $1.7 billion, of which $1,165 million was owed to the regular budget and $535 million to the budgets of peace-keeping operations; 42 countries had paid nothing in 1993 and only 70 had paid their contributions to the regular budget in full.

2. Notwithstanding the contributions received in recent weeks, the financial problems of the Organization remained extremely serious. The Secretary-General was therefore appealing to Member States to pay their arrears as quickly as possible and to those in a position to do so to make an advance payment on their 1994 contributions. The cash-flow situation of peace-keeping operations remained very precarious, and the United Nations Transitional Authority in Cambodia (UNTAC) had joined the United Nations Angola Verification Mission (UNAVEM) and the United Nations Observer Mission in El Salvador (ONUSAL) as operations having chronic cash-flow difficulties. The Peace-keeping Reserve Fund stood at only $64.2 million instead of the envisaged $150 million. It was imperative for the General Assembly to find means of restoring the Organization's finances on a durable basis, and the ideas of the Independent Advisory Group on United Nations financing made a timely contribution to the Assembly's deliberations.

3. The conclusions and recommendations of the Independent Advisory Group appeared in document A/48/460. In document A/48/565 the Secretary-General commented on the recommendations, the main lines of which had his approval and were compatible with the ones which he had himself formulated earlier. The Secretary-General thought that three of the recommendations should be given priority attention: an increase in the Working Capital Fund, which had stood at $100 million since 1981 and should be tripled in the Secretary-General's opinion, to represent about 25 per cent of the annual regular budget; an increase in the peace-keeping reserve fund - the Secretary-General agreed with the Independent Advisory Group that it should be increased from $150 to $400 million, or a little less than two months' expenditures at the 1993 rate; and the charging of interest on late payments - an idea well-received at the forty-seventh session on which the Secretariat was ready to make concrete proposals concerning the modalities of implementation, if the recommendation was approved by the General Assembly.

4. Mr. FRANCIS (Australia), speaking on behalf of Australia, Canada and New Zealand, said that the Secretary-General had quite rightly drawn attention in document A/48/503 to the unacceptable arrears accumulated by a number of Member

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States in spite of the commitments into which they had entered freely and unconditionally. The main effect of the arrears was to drain the Organization's reserves and delay the reimbursement of costs to troop-contributing countries. While it was true that in 1993, unlike the two preceding years, the General Fund had had to borrow only $15 million from the peace-keeping accounts in order to remain in surplus, the Organization had nevertheless come close to bankruptcy at a time when the international community was entrusting it with increasingly complex and urgent tasks both in peace and security matters and in economic and social development. The United Nations must have an adequate and predictable source of funding.

5. A reversal of the improving trend of the past three years in the pattern of payment of contributions would be an extremely serious matter. The United Nations would become unworkable if countries unilaterally withdrew their financial support - and it was for the major contributors to set an example.

6. In paragraph 26 of the report the Secretariat had at last acknowledged the delays in the issue of the letters of assessment for contributions to the budgets of peace-keeping operations. However, the delays took pl ce before the budgets were presented to the Fifth Committee. For an increasingly large number of operations the Secretariat made financial commitments without having submitted any budgets. It was therefore at that stage that the procedure must be speeded up. The three delegations understood that the Under-Secretary-General for Administration and Management had proposed to the Advisory Committee on Administrative and Budgetary Questions (ACABQ) that it should examine measures for that purpose, and they would like to know the outcome of his initiative. According to paragraph 24 of the report, there was an increasing trend for the Secretary-General to be authorized to incur peace-keeping expenditures without being given concurrently the corresponding authority to levy assessments. If anything, the trend had been in the opposite direction: in the resolutions on the budgets of peace-keeping operations adopted in September the General Assembly had authorized the Secretary-General, subject to certain conditions, to incur expenditures beyond the current mandate periods and to issue the assessments. If the Secretariat needed further authorizations, it could all the more easily request them from the Assembly as the Fifth Committee was in almost continuous session.

7. With regard to the recommendations of the Independent Advisory Group, the Secretary-General was right to argue that the payment of assessments in quarterly instalments was likely to create serious problems in the first quarter of each year without however solving the cash-flow difficulties which arose throughout the year. Therefore, the recommendation should not be adopted until more Member States were in a position to pay their contributions on time. On the other hand, since some Member States remained deaf to all the arguments used so far, it would be a good idea, as the Secretary-General suggested, to authorize the Organization to charge interest on arrears. Arrears should be redefined as amounts unpaid 30 days after the issue of each letter of assessment in order to reduce, without any amendment of Article 19 of the Charter, the three years currently granted to States in arrears to two years, as stipulated in the Charter.

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8. The three States agreed that the level of the Organization's reserves was inadequate, but it was inappropriate to make additional assessments to increase the reserves while arrears remained at such a high level nor should the Secretariat be authorized to borrow commercially. However, the budget surpluses due to Member States in arrears should not be paid to them but into the appropriate reserve fund. That measure might also be applied to the surpluses retained from earlier financial periods, which could be used to increase permanently the levels of the Peace-keeping Reserve Fund and the Working Capital Fund, in that order.

9. The principle of a unified peace-keeping budget also deserved support. It would in fact be in the interest of the Secretariat and of States Members to make the timing and amounts of letters of assessment more predictable. The difficulties of the proposed formula ought not to be insurmountable; for example, the Secretary-General's proposal to make appropriations on an annual basis and to issue assessments only as mandates were renewed would satisfy one of the concerns felt by Member States.

10. No progress had been made in improving the financing arrangements for peace-keeping start-up costs. The Peace-keeping Reserve Fund served little useful purpose in that connection, because it was unlikely to be fully capitalized in the short term and such amount as was maintained in the Fund was drawn on to finance ongoing operations. He therefore supported the proposal that the Secretary-General should be authorized to notify Member States of their assessments immediately the Security Council mandated a new operation, without waiting for the General Assembly to consider the budget. So that that would not lead to still further delays in the submission of budgets, a time-limit should be set which the Secretariat would be required to honour.

11. The innovative proposals put forward by the Secretary-General in his "An Agenda for Peace", mentioned in paragraph 57 of his report, merited careful consideration. As the Secretary-General pointed out, there would be nothing inconsistent in the Organization accepting funds from non-governmental sources, provided they were used to further the aims of the United Nations.

12. Lastly, on a more general note, the Secretariat and Member States must work together to resolve the dilemma posed by the disagreement between those who argued that the United Nations would never improve until it had a more predictable and reliable source of funding and those who argued that until confidence in the management of the Organization was restored, such funding would not be provided. Member States must honour the obligations they had undertaken in ratifying the Charter, and the Secretariat needed to adopt a new management culture based on measurable objectives, managerial accountability and performance-related rewards.

13. Mr. SUCHARIPA (Austria) said he found it difficult to understand how the majority of Member States could continue to fail to observe their financial obligations, particularly when they had no hesitation in approving new mandates. That attitude, which was comprehensible when an economic crisis or natural

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disaster affected a Member State, was unacceptable when it was based on purely political considerations.

14. His delegation deplored the fact that annex II of the report of the Secretary-General (A/48/503) made no distinction between arrears, on the one hand, and outstanding contributions, on the other, and that Member States which made every effort to meet their financial obligations in full and on time were listed along with those which did not comply with the Financial Regulations and Rules of the Organization. It also regretted the delay in reimbursements to troop-contributing countries and believed that a satisfactory solution must be found in the near future.

15. His delegation was ready to examine all the proposals in the report of the Independent Advisory Group on the financing of the United Nations (A/48/460), some of which had already been put forward by the previous Secretary-General and considered by the Advisory Committee and the General Assembly. Penalties should be established to persuade countries to pay their contributions in full and on time. It was a matter of guaranteeing the Organization's financial stability and of fairness to those States which paid their assessments and provided troops. If all Member States paid as they should, assessed contributions could be paid in four quarterly instalments, each due within 30 days. After a short grace period, the Organization should charge interest on late payments, at the international rate; the formula for calculating the geographical distribution of posts should take into account the amount actually paid and not the amount payable; only those Member States which had met all their financial obligations in timely fashion should be eligible for election or be able to appoint representatives or experts to the councils, committees, subsidiary organs and expert bodies of the United Nations and the bureaux of those bodies. Further, the Secretariat should interpret Article 19 of the Charter restrictively, so that Member States in arrears would effectively lose their right to vote after two years. If those proposals were accepted, his delegation would be willing to discuss an increase in the reserve funds, especially the Working Capital Fund; if they were not, there would be no point since the amounts requested would probably never be paid. In that connection, it found the idea of retaining the budgetary surpluses owed to Member States which were behind in paying their contributions to the regular budget in order to replenish the Working Capital Fund an interesting one. The practice of returning surpluses to States in arrears was questionable. A possible increase in the reserves should be accompanied by other measures; otherwise it would be tantamount to subsidizing delinquent contributors.

16. With regard to the financing of peace-keeping operations, his delegation believed that the special rights enjoyed by the members of the Security Council, particularly the permanent members, were matched by certain obligations and responsibilities. In order to speed up the process of submitting budgets for peace-keeping operations, it proposed that the Secretariat departments concerned should be restructured and strengthened; that costs for supplies and materials should be standardized; and that a permanent consultation mechanism should be established between the Security Council and the Fifth Committee with regard to

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peace-keeping operations, so that the Council would have a clearer picture of the cost of certain operations and the General Assembly could act more rapidly.

17. The idea put forward in the report of the Independent Advisory Group, of establishing a unified peace-keeping budget financed by a single annual assessment was impracticable at first sight because of the unpredictability of such operations, but it was interesting in that it would ensure better comparability of data, greater predictability regarding payments, and less frequent examination of budget proposals, especially for long-term operations. His delegation was prepared to consider the preparation of annual budgets for those operations which had lasted for two years.

18. On the other hand, his delegation could not agree that the Secretary-General should be permitted to obligate up to 20 per cent of the initial estimated cost of a peace-keeping operation once it had been approved by the Security Council. Such a measure would be tantamount to transferring authority from the General Assembly to the Security Council, and his Government could not agree to be assessed on the basis of a decision taken by an organ of which it was not a member. In order to ensure the inflow of cash, it would be better to strengthen the Secretariat so that it could produce budget estimates more rapidly.

19. Any measure aimed at persuading Member States to meet their financial obligations must be accompanied by a serious effort at economy and rationalization on the part of the Secretariat. In that connection, any effort to strengthen external and internal controls, for example by unifying the existing mechanisms, would be welcome.

20. Mr. BREITENSTEIN (Finland), speaking on behalf of the Nordic countries, said that the analysis by the Secretary-General of the financial situation of the United Nations (A/48/503) showed yet again that most Member States were delinquent in their payments. In January, only 18 of them, including all the Nordic countries, had paid their 1993 assessments to the regular budget in full. There was only one durable solution to the crisis: Member States must comply with their financial obligations in full, on time and unconditionally, and the permanent members of the Security Council had a responsibility to lead the way. Appropriate incentives and sanctions must be found in order to attain that objective.

21. At the same time, there was an urgent need to scrutinize all ongoing programmes in order to eliminate those that were obsolete or of only secondary importance. Member States must also be more selective in future in their choice of new programmes. Other essential measures included an analysis of the Organization's overall capacity to respond to present and future demands, priority-setting - whether in the security field or in the economic and social sector - and burden-sharing, through regional organizations and arrangements, on the basis of a realistic assessment of the overall volume of available funds. The Committee should draw the attention of the other competent United Nations organs to that issue.

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22. Troop-contributing countries continued to bear the burden of the shortfall in peace-keeping contributions. That was unacceptable, and the countries concerned could not always be satisfied with mere expressions of appreciation.

23. As to the recommendations put forward in document A/48/460, many of which had been presented before, the Nordic countries were in favour of maintaining the principle of approving the regular budget by consensus. If all countries fulfilled their obligations - in particular their financial obligations - under the Charter, the debate on the financial situation of the United Nations would be more constructive. In that connection, the Nordic countries found it inadmissible that Member States should unilaterally set conditions for fulfilling their statutory obligations.

24. The idea of breaking up contributions into four quarterly instalments was interesting, provided that, as the Secretary-General pointed out, Member States gave every assurance that they would pay those instalments on time.

25. The Nordic countries supported the recommendation that the United Nations should be given authority to charge interest on late payments and wondered whether a positive incentive should not also be introduced. They would welcome the Secretary-General's views on that matter during the course of the session. In any case, they were prepared to support a separate resolution on that important subject.

26. The Nordic delegations remained opposed to the practice of internal borrowing. Even though payments to troop-contributing countries had been delayed, some peace-keeping operations had run a deficit throughout the year. As the members of the Independent Advisory Group indicated, the United Nations should not be resorting to questionable forms of financial management to mask a cash shortfall that should be dealt with more directly.

27. On the subject of reserve funds, the Nordic countries reiterated their earlier position, namely that they would be prepared in principle to support the recommendation that the level of the Working Capital Fund should be raised to $200 million. However, they stressed that the Working Capital Fund was only a reserve fund and should not be used to cover deficits. Further consideration should be given to the recommendation that the United Nations should replenish its reserves by crediting to the Working Capital Fund budgetary surpluses owed to Member States with regular budget arrears.

28. The Nordic countries agreed with the recommendation that the United Nations should not be given authority to borrow externally and supported the shortening of the statistical base period used to establish the scale of assessments.

29. With respect to the financing of peace-keeping operations, the Nordic countries did not believe that the establishment of a $400 million revolving fund would improve the situation. It would be better to make the existing Peace-keeping Reserve Fund fully operational and to use it for its original purpose. They found the Secretary-General's comments concerning the establishment of a single unified peace-keeping budget sound, and they looked

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forward to further discussions on that matter. They supported the recommendation that the Secretary-General should be permitted to obligate up to 20 per cent of the initial estimated cost of a peace-keeping operation once it had been approved by the Security Council. The details of such an arrangement would have to be discussed as part of the overall peace-keeping budget process.

30. The recommendation that the administrative expenditures of all United Nations programmes currently funded by voluntary contributions alone should be financed by assessed contributions was acceptable, as was the idea of inviting voluntarily funded agencies to seek a larger portion of their funding from multi-year, negotiated pledges. Indeed, the Nordic countries had introduced a proposal to that effect at the forty-seventh session of the General Assembly during discussions on the restructuring of the United Nations system in the economic and social fields.

31. Members States which fulfilled their financial obligations had a right to expect full accountability for resources placed at the Organization's disposal and to verify that the Financial Regulations and Rules were observed. It was essential that the United Nations should exercise prudent economic management and constantly improve its system of internal controls.

32. Looking to the future, Member States should set the very specific goal of correcting the financial situation by 1995, the year in which the Organization would celebrate its fiftieth anniversary. In the final analysis, solving that problem was only a question of political will, but political will was necessary.

33. Mr. BAHADIAN (Brazil) said that it was incumbent upon Member States to reach a common understanding of how to fund United Nations activities since the success of the activities depended on it. The report of the Independent Advisory Group was very useful in that regard. The report was based on three correct assumptions, set forth in paragraph 16, which led to recommendations which, for the most part, his delegation supported.

34. Recommendation 1 supported the existing division of United Nations financing into three categories, which ensured a more equitable cost-sharing by the membership while allowing Member States to pursue their own priorities by means of voluntary contributions. Further adjustment might, however, be required. Thus, with respect to the support account for peace-keeping operations, the Secretary-General pointed out that backstopping for most operations was funded under the regular budget. The regular budget also covered the costs of the United Nations Military Observer Group in India and Pakistan and the United Nations Truce Supervision Organization. His delegation took the view that a core of specialized peace-keeping personnel should be financed under the regular budget, while the support account for peace-keeping operations should be used to meet fluctuations in the workload of the Department of Peace-keeping Operations. The Secretary-General had made proposals along those lines in his report on the support account (A/48/470).

35. The ever-expanding scope of peace-keeping operations also deserved attention. His delegation had already stressed the risks inherent in such a

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trend. Peace-keeping operations were not necessarily the most appropriate mechanism for humanitarian and development assistance. In most cases such assistance would probably be delivered more effectively by the separate systems developed for those purposes.

36. The Independent Advisory Group confirmed the validity of the special peace-keeping scale applied since 1973. He recalled the principles underlying the General Assembly decision, and noted that no change had taken place that would warrant any departure from those principles.

37. His delegation fully supported the consensus procedure for the budget. Consensus decisions should be pursued wholeheartedly on such important matters as the budget and the scale of assessments. Recalling that the current budgetary process reflected the criteria established by the General Assembly in its resolution 41/213, his delegation insisted that it should be respected in the case of the proposed programme budget for the biennium 1994-1995, which should be adopted before the forty-eighth session was suspended.

38. The Independent Advisory Group rightly stressed that the only real way out of the financial problems besetting the Organization would be for Member States to pay their assessed contributions in full and on time. In fact the cash-flow problems of the United Nations followed a regular pattern and had consistently been more acute in August and September. Member States' legislative procedures for budget approval seemed to be the main reason.

39. Regarding the possibility of paying contributions in four quarterly instalments, his delegation shared the concerns expressed in the Secretary-General's report. His delegation also had doubts regarding the extent to which the charging of interest would have any real impact, but was ready to discuss the point further.

40. Regarding an increase in the level of the Working Capital Fund to US$ 200 million and the establishment of a larger peace-keeping revolving fund, it should be noted that the Organization already had various funds and reserves that were currently depleted. If Member States paid their contributions those funds would return to their normal level. The problem thus lay in the lateness of payments and not in the inadequacy of reserves. Until the matter was resolved the credits due to Member States for past surpluses would have to be withheld, despite his delegation's reservations regarding such a derogation from the Financial Rules and Regulations.

41. Resorting to commercial or multilateral agency loans would not increase the willingness of Member States to pay in full and on time, nor would it strengthen budgetary discipline in the Secretariat. In fact there would be a substantial risk that the current cash-flow crisis would be transformed into a fully fledged financial crisis.

42. With respect to the scale of assessments for the apportionment of expenditures under the regular budget, his delegation wished to stress that while, in the view of the Independent Advisory Group, the current formula was

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based on a good approximation of Member States' capacity to pay, it did not generate fair rates of assessment for countries experiencing drastic changes in their national incomes. All in all a shorter statistical base period with a scheme of limits seemed to be equivalent to a longer base period without such a scheme.

43. The Independent Advisory Group foresaw a significant increase in peace-keeping costs over the next few years. In the view of his delegation the peak had already been reached. The phasing out of the United Nations Transitional Authority in Cambodia would release resources that might be needed to launch new operations or strengthen existing operations. In the worst case scenario Member States would have to meet only incrementally higher costs. In any event his delegation was in favour of a thorough reassessment of peace-keeping operations in the light of the experience gained with the recent multi-purpose operations.

44. His delegation had reservations regarding the establishment of a unified peace-keeping budget, to be financed by a single annual assessment. Such a budget would certainly require more time and effort to prepare than the regular budget, which was four times smaller and was supposed to include only mandated programmes. The Secretariat already had difficulty in preparing a budget operation by operation. Further, peace-keeping operations were non-recurrent activities and did not lend themselves to a budgetary process based on the regular budget. For similar reasons the proposal that the Secretary-General should be permitted to obligate up to 20 per cent of the initial estimated cost of a peace-keeping operation - the Secretariat's request being for permission to obligate up to one third - engendered considerable misgivings on the part of his delegation. In 1992 his delegation had expressed its difficulties with the idea of front budgeting, since it was not conducive to good planning and would entail a number of risks.

45. Turning to the composition of the groups for the apportionment of peace-keeping expenses, his delegation noted that the working group established pursuant to General Assembly resolution 47/218 had not been able to reach any conclusion. The question was sensitive, and any significant changes must command wide support.

46. As to voluntary funding, pledges should be negotiated, where feasible, on a multi-year basis. In that regard, his delegation fully shared the concerns recently expressed by the UNDP Administrator regarding the need for adequate and predictable financing for development activities. Lastly, as the Independent Advisory Group had noted, the current proposals regarding additional funding from non-governmental sources were neither practical nor desirable.

47. His delegation was convinced that the only means of improving the financial situation of the Organization continued to be full and timely payment of assessed contributions. In that regard he was pleased to report that his Government, in spite of severe fiscal constraints, had made a considerable effort to offset its arrears. All its contributions to the regular budget and peace-keeping operations for 1991 and 1992 had been paid, and the Congress and Ministry of Finance were working on a programme that would result in payment by

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the end of the year of a significant portion of the remainder of the outstanding contribution for 1993.

48. Mr. HEART (Panama), speaking on behalf of the Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama), said, with reference to document A/48/503, that the amounts owed to the Organization remained large, despite the Secretary-General's personal high-level intervention to request Member States to meet their obligations. The measures taken to date had had little effect since, on 31 December 1992, the rate of collection of outstanding contributions for 1992 had been only slightly higher than the rate for 1991, which had been the lowest ever.

49. Certainly, the best way to improve the financial situation of the Organization would be for Member States to pay their assessed contributions in full and in a timely manner. In order to encourage them to do so, the Central American countries suggested modifying the rules governing elections inside the Organization: States with more than 20 per cent of their contributions outstanding at the beginning of a General Assembly session would not be allowed to vote or to put forward a candidate and would also lose, either temporarily or permanently, posts already filled. Convinced that such a measure would be very effective the Central American countries paid tribute to the 18 Member States which, without such prompting, had fulfilled their commitments within the mandatory 30 days and to the 44 other States which had paid their assessed contributions in full by 30 September 1993.

50. For their part, the Central American countries were determined, despite a difficult economic situation, to pay their debts to the Organization, as soon as they could. They were prepared to support any effective measures to rectify the financial situation of the Organization, but they expected the Administration to seek its own solutions. Priority must be given to establishing effective controls and to taking the measures needed to meet the deadline for a careful examination of the modalities of peace-keeping operations. Undoubtedly, the various peace-keeping, peacemaking and peace-building activities were indispensable, but their proliferation was a cause for concern for the Central American countries since they were absorbing a growing proportion of the Organization's limited resources. Development and international cooperation were being relegated to the background, when they should be at the centre of the Organization's concerns.

51. Among other initiatives which could be contemplated, he wished to draw attention to the possibility of reducing secretariat staff to a minimum. That was one of the first solutions that international financial organizations recommended to developing countries requesting assistance.

52. Mr. HANDIQUE (India), referring to document A/48/460, noted with concern that the established practice whereby proposals on substantive questions were submitted either by the Secretariat or by Member States, the latter alone being authorized to defend their points of view before the Fifth Committee, had not been respected and that the Secretary-General had circulated as an official document of the General Assembly a document produced by an independent group

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from outside the Organization. He hoped that the situation would not be repeated. Furthermore, the report posed a procedural difficulty in that its recommendations covered several agenda items. Therefore, the Committee would find it necessary, if it was to consider the report, to take up each individual recommendation separately under the relevant agenda item. In any event, India would not comment on the report until it had received technical advice from ACABQ. The formulation in the report of hasty generalizations with regard to the Indian subcontinent, a practice which he had already condemned, was regrettable.

53. He noted with regret that the Secretary-General's report on the financial situation of the Organization (A/48/503) had not included all the information requested by the General Assembly in resolution 47/215, in particular in paragraph 3. He would like the Secretariat to indicate before the end of the forty-eighth session the total amount owed to each of the troop-contributing countries and to specify whether the total amount indicated in paragraph 37 of the report also included the United Nations Operation in the Congo (ONUC) and the United Nations Emergency Force (Middle East) (UNEF) for which payments to India had been in arrears for a very long time. India had the right to ask whether an effort had really been made to redress a situation which had become unacceptable. Solutions proposed to address the problem included the possibility of financing reimbursements from interest accruing to the reserves in the Special Account or the Peace-keeping Reserve Fund and, as India had previously suggested, offsetting those amounts against future assessed contributions. Those proposals did not require the approval of any intergovernmental machinery; they were the responsibility of the Secretariat.

54. The payment of assessed contributions in full and on time clearly was the best way to ease the financial difficulties of the Organization. At the same time, however, India was prepared to examine ways and means to improve the situation. For example, India had supported the establishment of the Peace-keeping Reserve Fund and regretted that the second tranche of the Fund had not yet been activated. It was inclined to support proposals to increase the level of the Working Capital Fund and was open to suggestions on the size of the increase. It also believed that schemes for the charging of interest and the payment of contributions in instalments deserved consideration. In any case, India looked forward to receiving technical advice from ACABQ in order to facilitate the work of the Committee.

AGENDA ITEM 120: FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS (continued) (A/48/5/Add.4 and Add.5, A/48/230, A/48/516, A/48/530, A/48/572 and A/48/587)

55. Mr. OKWEI (Ghana), referring to document A/48/5/Add.4, noted that, in 1992, UNITAR expenditures had once again surpassed contributions received by a significant margin, and the deficit had to be filled by the United Nations General Fund. The Board of Auditors had concluded that the UNITAR General Fund was no longer financially viable. For its part, the General Assembly had decided in resolution 47/227 that, effective 1 January 1993, the UNITAR administrative budget and training programmes would be financed exclusively

(Mr. Okwei, Ghana)

through voluntary contributions, gifts, special-purpose grants and executing agency overheads. He called upon the Secretary-General to keep that recommendation in mind and to submit proposals, where appropriate, with a view to putting the Institute on a solid financial footing. In the meantime, UNITAR should follow the recommendation of the Board of Auditors not to plan any more programmes than could be financed using available voluntary contributions. In addition, the Board of Auditors had recommended that a liaison officer should be designated soon who would be responsible for restructuring UNITAR and for transferring accounting and financial services from New York to Geneva.

56. With respect to the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR), Ghana noted with concern that the Board of Auditors had identified shortcomings in several areas: cash management, administrative coordination, reporting, inventories, etc. Among other serious deficiencies, the Board of Auditors noted in paragraph 30 of its report that 77 per cent of pledges had not been collected because donors had not received the reports they had requested. Furthermore, it was regrettable that UNHCR had been forced to write off more than $500,000 for non-expendable property which had been destroyed, lost or stolen. Ghana endorsed the recommendations of the Board of Auditors without reservation and called upon the High Commissioner to see to their implementation by the appropriate authorities.

57. In its resolution 47/211, the General Assembly had requested the Secretary-General and the executive heads to submit an action-oriented report outlining steps to be taken in response to the recommendations of the Board of Auditors. He noted with appreciation the report prepared by the Secretary-General (A/48/516) pursuant to that resolution and hoped that the reports of the other executive heads would be submitted to the Committee before the end of the session. He urged the Secretary-General to pursue his efforts, specifically on issues such as the implementation of the Integrated Management Information System (IMIS), property accountability in field missions, restructuring of primary bank accounts, and streamlining of staffing tables for the United Nations Office at Geneva and ECA.

58. His delegation was happy to note that the Administrative Committee on Coordination (ACC) had adopted common standards of accounting to be applied throughout the United Nations system and commended all those who had participated in that effort. As the Secretary-General explained in document A/48/530, each organization would probably find it necessary to effect changes in its financial practices, procedures and systems before it was able to fully apply those norms. Steps must be taken to ensure that that process did not take too long to complete.

59. In his report on the recovery of misappropriated funds from staff members and former staff members (A/48/572), the Secretary-General clearly highlighted the limitations of the courses of action available to the Organization to recover misappropriated funds and proposed a number of solutions which, although quite bold, raised a number of problems. His delegation was nevertheless willing to examine them.

(Mr. Okwei, Ghana)

60. With regard to independent audits and management reviews of activities of the United Nations system (A/48/587), the Panel of External Auditors rightly acknowledged that donors of funds to organizations of the system were entitled to seek assurances about the management of those funds and to expect transparency in the organizations' presentation of financial information. That observation was applicable to all sources of funds, and not only to voluntary funds. It was in that spirit, and in the light of the arguments advanced by the Panel of External Auditors, that his delegation accepted the decision taken by ACC.

61. Ms. ERIKSSON FOGH (Sweden), speaking on behalf of the Nordic countries, said that they supported the findings and recommendations of the Board of Auditors and were of the view that the terms of reference of the Board and its current resource level were, by and large, adequate. The Nordic countries were pleased to note that the Board had expanded its audit coverage of all peace-keeping operations, in accordance with resolution 47/211, and they looked forward to receiving a separate document for such operations.

62. Turning to the accounts of UNITAR for 1992, she noted with concern that the Board had issued a qualified audit opinion and that certain audit recommendations raised in previous years also remained unimplemented. However, one of the Board's observations concerned a much more serious matter, that of internal controls. Indeed, notwithstanding the conditions which the General Assembly had established in 1983 for authorizing an advance from the United Nations to UNITAR, the United Nations General Fund had continued to advance amounts to cover the budgetary deficits of UNITAR over the years. The General Assembly had settled the issue of the reimbursement of those advances in its resolution 47/227. Nevertheless, the Committee was entitled to an explanation of how it had been possible to make such unauthorized drawings. The Secretariat should provide those explanations and indicate what safeguards existed against similar unauthorized drawings in future.

63. Turning to UNHCR, the Nordic delegations fully understood that projects were sometimes implemented under very difficult circumstances in which delays were difficult to avoid. It was important to ensure, however, that deficiencies in administrative procedures should not result in poor coordination between UNHCR headquarters, field offices, implementation partners and executing organizations.

64. Given the dimensions of the refugee problems, it was of utmost importance that UNHCR should make optimum use of its resources. That meant, inter alia, that project implementation should be monitored more closely in order to avoid situations in which the resources required for certain urgent projects were needlessly committed to others. In that connection, the Nordic delegations fully supported the recommendation by the Board in paragraph 65 of its report that UNHCR should develop its plan for the computerization of its financial and personnel management system, in close coordination with the United Nations Integrated Management Information Systems Committee.

(Ms. Eriksson Fogh, Sweden)

65. With regard to the implementation of the recommendations made by the Board in 1992, the Nordic delegations would like to limit their remarks to the issue of purchasing policy. In resolution 47/211, the General Assembly requested the Secretariat to reduce the number of exceptions to the procedure for competitive bidding provided for in regulation 10.5 of the Financial Regulations and Rules of the United Nations. In paragraph 12 of his report (A/48/516), the Secretary-General noted that in 1992, close to 60 per cent of markets had been considered to fall in one of the categories set forth in financial rule 110.19, which provided for exceptions to competitive bidding. The excuse offered by the Secretary-General was that the purchasing rules applied in the United Nations were similar to, and consistent with, those of a number of Member States. Without wishing to initiate a discussion on the correctness of that argument, the Nordic delegations firmly believed that the best means of ensuring the optimal utilization of funds was to observe the basic principle established in regulation 10.5, and wondered whether the exceptions provided for in financial rule 110.19 were truly in the interest of the Organization, as required by the rule in question. They therefore proposed that the General Assembly should reiterate its request for the Secretariat to make its purchasing policy more cost-effective and transparent, by reducing the number of exceptions to competitive bidding, which would require a review of existing rules.

66. The Nordic delegations shared the view of the Secretary-General concerning the accounting standards for the United Nations system (A/48/530) and appreciated the comment that the standards should be considered "a living document" (para. 9), and that its authors had placed emphasis on the need for financial statements that were readable, even by non-experts, and complete (all income and expenditure should be reported, whatever the source of funds). They noted, without objection, that the process of full adaptation of the standards was likely to extend over several years but insisted that, in order to avoid unwarranted delays, where organizations found it necessary to depart from those standards, they should disclose the reasons for doing so in their financial statements, as provided for in paragraph 3 of the foreword.

67. The Nordic delegations, endorsed, in principle, the views and recommendations of the Panel of External Auditors concerning independent audits and management reviews of activities financed from extrabudgetary resources (A/48/587), but considered it of vital interest to secure a system which, by providing information to donors, encouraged the latter to continue to contribute to voluntarily-funded activities.

The meeting rose at 12.40 p.m.